



**Auditor of State
Betty Montgomery**

VILLAG OF WAITE HILL
LAKE COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Waite Hill
Lake County
7215 Eagle Road
Waite Hill, Ohio 44094

To the Village Council:

We have audited the accompanying financial statements of the Village of Waite Hill, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Waite Hill, Lake County, Ohio, as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Village of Waite Hill
Lake County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 7, 2003

VILLAGE OF WAITE HILL
LAKE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$373,630			\$8,814	\$382,444
Intergovernmental Receipts	303,679	\$17,531	\$785,763	1,135	1,108,108
Fines, Licenses, and Permits	9,732	50			9,782
Earnings on Investments	437,180				437,180
Miscellaneous	3,404				3,404
	<hr/>				<hr/>
Total Cash Receipts	1,127,625	17,581	785,763	9,949	1,940,918
Cash Disbursements:					
Current:					
Security of Persons and Property	459,956			55,423	515,379
Public Health Services	9,690				9,690
Community Environment	11,611				11,611
Basic Utility Services	31,351				31,351
Transportation	229,159	120,435			349,594
General Government	164,547				164,547
	<hr/>				<hr/>
Total Cash Disbursements	906,314	120,435	0	55,423	1,082,172
Total Receipts Over/(Under) Disbursements	221,311	(102,854)	785,763	(45,474)	858,746
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	14,000				14,000
Transfers-In		108,667		45,000	153,667
Transfers-Out	(153,667)				(153,667)
	<hr/>				<hr/>
Total Other Financing Receipts/(Disbursements)	(139,667)	108,667	0	45,000	14,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	81,644	5,813	785,763	(474)	872,746
Fund Cash Balances, January 1, 2002	801,848	143,099	6,903,948	11,930	7,860,825
Fund Cash Balances, December 31, 2002	<u>\$883,492</u>	<u>\$148,912</u>	<u>\$7,689,711</u>	<u>\$11,456</u>	<u>\$8,733,571</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$362,381			\$8,560	\$370,941
Intergovernmental Receipts	315,561	\$17,744	\$837,300	1,110	1,171,715
Fines, Licenses, and Permits	6,944				6,944
Earnings on Investments	440,527				440,527
Miscellaneous	44,842				44,842
Total Cash Receipts	<u>1,170,255</u>	<u>17,744</u>	<u>837,300</u>	<u>9,670</u>	<u>2,034,969</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	459,510			50,810	510,320
Public Health Services	8,454				8,454
Community Environment	7,852				7,852
Basic Utility Services	27,110				27,110
Transportation	214,917	201,013			415,930
General Government	194,686		14,940		209,626
Total Cash Disbursements	<u>912,529</u>	<u>201,013</u>	<u>14,940</u>	<u>50,810</u>	<u>1,179,292</u>
Total Receipts Over/(Under) Disbursements	<u>257,726</u>	<u>(183,269)</u>	<u>822,360</u>	<u>(41,140)</u>	<u>855,677</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		108,667		35,000	143,667
Transfers-Out	(143,667)	0	0	0	(143,667)
Total Other Financing Receipts/(Disbursements)	<u>(143,667)</u>	<u>108,667</u>	<u>0</u>	<u>35,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	114,059	(74,602)	822,360	(6,140)	855,677
Fund Cash Balances, January 1, 2001	687,789	217,701	6,081,588	18,070	7,005,148
Fund Cash Balances, December 31, 2001	<u>\$801,848</u>	<u>\$143,099</u>	<u>\$6,903,948</u>	<u>\$11,930</u>	<u>\$7,860,825</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Waite Hill, Lake County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council. The Village provides general government services, solid waste removal and police services.

The Village contracts with the City of Willoughby Hills' Fire Department to provide fire and ambulance services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

The Village is a member of the Northeast Ohio Public Energy Council ("NOPEC"). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village of Waite Hill did not contribute to NOPEC in 2002 or 2001. Financial information can be obtained by contacting Dan DiLiberto, Chairman, 35150 Lakeshore Boulevard, Eastlake, Ohio, 44095.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments (Continued)

The Demand Deposits, Fifth Third Money Market, Federal Farm Credit Bank Agency, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Management Association, Corporate Bonds, and U.S. Treasury Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Motor Vehicle License Tag Fund - This fund receives motor vehicle license tag money for constructing, maintenance and repairing Village streets.

3. Capital Project Funds

This fund is used to account for financial resources for the acquisition or construction of major capital facilities (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Expenses Fund - This fund receives proceeds of intergovernmental revenues. The proceeds are used to construct or repair Village's facilities.

4. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. The Village had the following significant fiduciary fund:

Police and Fire Disability and Pension Fund - This fund holds the employee and employers share of the payroll deduction amounts until payment is made to the State Pension Board.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the fund, function or object level of control, for the general fund, and the fund level for all other funds, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village reserves (encumbers) appropriations for commitments. The reservation is accomplished through the Then and Now certification allowed under Ohio law. Unpaid commitments at year end are encumbered in the subsequent year appropriations.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid vacation amounts are not reflected as a liability under the Village's basis of accounting. The Village does not grant sick leave since all employees are paid on an annual salary.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2002	2001
Demand deposits	\$165,642	\$229,340
Total deposits	165,642	229,340
U.S. Treasury Notes	784,352	1,346,016
STAR Ohio	922,530	836,983
Federal Farm Credit Bank	1,250,251	1,250,251
Federal Home Loan Bank	2,057,819	1,762,424
Federal Home Loan Mortgage Corporation	1,154,375	655,835
Federal National Mortgage Association	474,625	474,625
Corporate Bonds	1,923,977	1,305,351
Total investments	8,567,929	7,631,485
Total deposits and investments	<u>\$8,733,571</u>	<u>\$7,860,825</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Treasury Notes, Corporate Bonds, Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 are as follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,113,260	\$1,141,625	\$28,365
Special Revenue	128,167	126,248	(1,919)
Capital Projects	0	785,763	785,763
Fiduciary	54,591	54,949	358
Total	<u>\$1,296,018</u>	<u>\$2,108,585</u>	<u>\$812,567</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,348,000	\$1,059,981	\$288,019
Special Revenue	205,000	120,435	84,565
Capital Projects	450,000	0	450,000
Fiduciary	63,000	55,423	7,577
Total	<u>\$2,066,000</u>	<u>\$1,235,839</u>	<u>\$830,161</u>

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,140,386	\$1,170,255	\$29,869
Special Revenue	128,167	126,411	(1,756)
Capital Projects	837,300	837,300	0
Fiduciary	44,616	44,670	54
Total	\$2,150,469	\$2,178,636	\$28,167

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,255,000	\$1,056,196	\$198,804
Special Revenue	255,200	201,013	54,187
Capital Projects	450,000	14,940	435,060
Fiduciary	60,000	50,810	9,190
Total	\$2,020,200	\$1,322,959	\$697,241

At December 31, 2001, the Village had expenditures exceeding appropriations in the following line items in violation of ORC Section 5705.41(B); General Fund Police Benefits and Service Department Salaries in the amounts of \$1,912 and \$1,699, respectively. At September 30, 2001, the Permissive License Tax Fund also had expenditures exceeding appropriations in the amount of \$160.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF WAITE HILL
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% for 2001 and 2002, of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Village also provides health insurance, vision, prescription drug and dental coverage to full-time employees through a private carrier.

7. SHARED RISK POOL

The Ohio Municipal League Workers' Compensation Group Rating Plan is a program created as a result of Amended House Bill 222 which mandated the creation of the Workers' Compensation Group Rating Plan as defined in Section 4123.29. The Group Rating Plan is administered by Gates McDonald Company. The Ohio Municipal League Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee. The Village paid an annual fee of \$959 and \$988 in 2002 and 2001 respectively.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Waite Hill
Lake County
7215 Eagle Road
Waite Hill, Ohio 44094

To the Village Council:

We have audited the financial statements of the Village of Waite Hill, Lake County, Ohio (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated February 7, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated February 7, 2003.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 7, 2003.

Village of Waite Hill
Lake County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 7, 2003



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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VILLAGE OF WAITE HILL

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 18, 2003**